



February 13, 2015

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## HOUSE BILL No. 1606

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DIGEST OF HB 1606 (Updated February 11, 2015 5:56 pm - DI 107)

**Citations Affected:** IC 6-3.5; IC 36-7.

**Synopsis:** Rural entrepreneurship area incentives. Permits the office of community and rural affairs (office) to designate an applicant rural county as a rural entrepreneurship area development incentives area (READI area). Provides for the distribution of adjusted gross income taxes paid annually by employees working in an area for a new business or paid annually by additional employees in an existing business and by the new business itself to the rural county for the development of new business opportunities in the rural county, including transfers to local or regional venture capital funds. Limits the amount that may be distributed to a particular county in a state fiscal year to \$250,000. Limits the total amount that may be distributed to all counties in a state fiscal year to \$5,000,000. Requires matching local funds to qualify for a distribution. Specifies the authorized sources of the matching local funds. Appropriates money collected from counties with a READI area for distribution to those counties. Specifies the types of projects that may be funded from a county's rural entrepreneurship area development incentives fund, upon appropriation by the county fiscal body and after recommendation by a local economic development organization in the county.

**Effective:** Upon passage.

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**Smaltz, Beumer, Pierce**

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January 20, 2015, read first time and referred to Committee on Commerce, Small Business and Economic Development.

February 12, 2015, amended, reported — Do Pass. Referred to Committee on Ways and Means pursuant to Rule 127.

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HB 1606—LS 6833/DI 73





February 13, 2015

First Regular Session of the 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

## HOUSE BILL No. 1606

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A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 6-3.5-7-13.5, AS ADDED BY P.L.137-2006,  
2       SECTION 12, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3       UPON PASSAGE]: Sec. 13.5. (a) The general assembly finds that  
4       counties and municipalities in Indiana have a need to foster economic  
5       development, the development of new technology, and industrial and  
6       commercial growth. The general assembly finds that it is necessary and  
7       proper to provide an alternative method for counties and municipalities  
8       to foster the following:  
9               (1) Economic development.  
10              (2) The development of new technology.  
11              (3) Industrial and commercial growth.  
12              (4) Employment opportunities.  
13              (5) The diversification of industry and commerce.  
14       The fostering of economic development and the development of new  
15       technology under this section or section 13.6 of this chapter for the

**HB 1606—LS 6833/DI 73**



benefit of the general public, including industrial and commercial enterprises, is a public purpose.

(b) The fiscal bodies of two (2) or more counties or municipalities may, by resolution, do the following:

(1) Determine that part or all the taxes received by the units under this chapter should be combined to foster:

- (A) economic development;
- (B) the development of new technology; and
- (C) industrial and commercial growth.

(2) Establish a regional venture capital fund.

(c) Each unit participating in a regional venture capital fund established under subsection (b) may deposit the following in the fund:

- (1) Taxes distributed to the unit under this chapter.
- (2) The proceeds of public or private grants.

**(3) Revenues received by a county under IC 36-7-37.**

(d) A regional venture capital fund shall be administered by a governing board. The expenses of administering the fund shall be paid from money in the fund. The governing board shall invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited into the fund. The fund is subject to an annual audit by the state board of accounts. The fund shall bear the full costs of the audit.

(e) The fiscal body of each participating unit shall approve an interlocal agreement created under IC 36-1-7 establishing the terms for the administration of the regional venture capital fund. The terms must include the following:

- (1) The membership of the governing board.
- (2) The amount of each unit's contribution to the fund.
- (3) The procedures and criteria under which the governing board may loan or grant money from the fund.
- (4) The procedures for the dissolution of the fund and for the distribution of money remaining in the fund at the time of the dissolution.

(f) An interlocal agreement made by the participating units under subsection (e) must provide that:

- (1) each of the participating units is represented by at least one (1) member of the governing board; and
- (2) the membership of the governing board is established on a bipartisan basis so that the number of the members of the governing board who are members of one (1) political party may not exceed the number of members of the governing board



1 required to establish a quorum.

2 (g) A majority of the governing board constitutes a quorum, and the  
3 concurrence of a majority of the governing board is necessary to  
4 authorize any action.

5 (h) An interlocal agreement made by the participating units under  
6 subsection (e) must be submitted to the Indiana economic development  
7 corporation for approval before the participating units may contribute  
8 to the fund.

9 (i) A majority of members of a governing board of a regional  
10 venture capital fund established under this section must have at least  
11 five (5) years of experience in business, finance, or venture capital.

12 (j) The governing board of the fund may loan or grant money from  
13 the fund to a private or public entity if the governing board finds that  
14 the loan or grant will be used by the borrower or grantee for at least one  
15 (1) of the following economic development purposes:

16 (1) To promote significant employment opportunities for the  
17 residents of the units participating in the regional venture capital  
18 fund.

19 (2) To attract a major new business enterprise to a participating  
20 unit.

21 (3) To develop, retain, or expand a significant business enterprise  
22 in a participating unit.

23 (k) The expenditures of a borrower or grantee of money from a  
24 regional venture capital fund that are considered to be for an economic  
25 development purpose include expenditures for any of the following:

26 (1) Research and development of technology.

27 (2) Job training and education.

28 (3) Acquisition of property interests.

29 (4) Infrastructure improvements.

30 (5) New buildings or structures.

31 (6) Rehabilitation, renovation, or enlargement of buildings or  
32 structures.

33 (7) Machinery, equipment, and furnishings.

34 (8) Funding small business development with respect to:

35 (A) prototype products or processes;

36 (B) marketing studies to determine the feasibility of new  
37 products or processes; or

38 (C) business plans for the development and production of new  
39 products or processes.

40 SECTION 2. IC 6-3.5-7-13.6, AS ADDED BY P.L.137-2006,  
41 SECTION 13, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
42 UPON PASSAGE]: Sec. 13.6. (a) The fiscal body of a county or



1 municipality may, by resolution, establish a local venture capital fund.

2 (b) A unit establishing a local venture capital fund under subsection  
3 (a) may deposit the following in the fund:

4 (1) Taxes distributed to the unit under this chapter.

5 (2) The proceeds of public or private grants.

6 **(3) Revenues received by a county under IC 36-7-37.**

7 (c) A local venture capital fund shall be administered by a  
8 governing board. The expenses of administering the fund shall be paid  
9 from money in the fund. The governing board shall invest the money  
10 in the fund not currently needed to meet the obligations of the fund in  
11 the same manner as other public money may be invested. Interest that  
12 accrues from these investments shall be deposited into the fund. The  
13 fund is subject to an annual audit by the state board of accounts. The  
14 fund shall bear the full costs of the audit.

15 (d) The fiscal body of a unit establishing a local venture capital fund  
16 under subsection (a) shall establish the terms for the administration of  
17 the local venture capital fund. The terms must include the following:

18 (1) The membership of the governing board.

19 (2) The amount of the unit's contribution to the fund.

20 (3) The procedures and criteria under which the governing board  
21 may loan or grant money from the fund.

22 (4) The procedures for the dissolution of the fund and for the  
23 distribution of money remaining in the fund at the time of the  
24 dissolution.

25 (e) A unit establishing a local venture capital fund under subsection  
26 (a) must be represented by at least one (1) member of the governing  
27 board.

28 (f) The membership of the governing board must be established on  
29 a bipartisan basis so that the number of the members of the governing  
30 board who are members of one (1) political party may not exceed the  
31 number of members of the governing board required to establish a  
32 quorum.

33 (g) A majority of the governing board constitutes a quorum, and the  
34 concurrence of a majority of the governing board is necessary to  
35 authorize any action.

36 (h) The terms established under subsection (d) for the  
37 administration of the local venture capital fund must be submitted to  
38 the Indiana economic development corporation for approval before a  
39 unit may contribute to the fund.

40 (i) A majority of members of a governing board of a local venture  
41 capital fund established under this section must have at least five (5)  
42 years of experience in business, finance, or venture capital.



(j) The governing board of the fund may loan or grant money from the fund to a private or public entity if the governing board finds that the loan or grant will be used by the borrower or grantee for at least one (1) of the following economic development purposes:

- (1) To promote significant employment opportunities for the residents of the unit establishing the local venture capital fund.
- (2) To attract a major new business enterprise to the unit.
- (3) To develop, retain, or expand a significant business enterprise in the unit.

(k) The expenditures of a borrower or grantee of money from a local venture capital fund that are considered to be for an economic development purpose include expenditures for any of the following:

- (1) Research and development of technology.
- (2) Job training and education.
- (3) Acquisition of property interests.
- (4) Infrastructure improvements.
- (5) New buildings or structures.
- (6) Rehabilitation, renovation, or enlargement of buildings or structures.
- (7) Machinery, equipment, and furnishings.
- (8) Funding small business development with respect to:
  - (A) prototype products or processes;
  - (B) marketing studies to determine the feasibility of new products or processes; or
  - (C) business plans for the development and production of new products or processes.

SECTION 3. IC 36-7-37 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

**Chapter 37. Rural Entrepreneurship Area Development Incentives**

**Sec. 1. This chapter applies to a rural county.**

**Sec. 2. The purpose of this chapter is to:**

- (1) establish and fund programs to identify entrepreneurs with marketable ideas; and**
- (2) support the organization and development of new businesses in rural counties.**

**Sec. 3. The general assembly finds that establishing and supporting new businesses in rural counties serve a public purpose that benefits the general welfare of rural counties by encouraging investment, job creation and retention, economic growth, and more diverse economies.**



1       Sec. 4. As used in this chapter, "agreement" refers to an  
2 agreement between the office and a county establishing the terms  
3 and conditions governing an area established under this chapter.

4       Sec. 5. As used in this chapter, "area" refers to a rural  
5 entrepreneurship area development incentives area established  
6 under this chapter.

7       Sec. 6. As used in this chapter, "corporation" refers to the  
8 Indiana economic development corporation.

9       Sec. 7. As used in this chapter, "department" refers to the  
10 department of state revenue.

11       Sec. 8. As used in this chapter, "income tax incremental  
12 revenue" means the remainder of:

13       (1) the sum of:

14           (A) the total amount of state adjusted gross income taxes  
15 paid by employees of new businesses, regardless of county  
16 of residence, who are employed in any part of the territory  
17 comprising an area with respect to wages and salary  
18 earned for work in the area for a particular state fiscal  
19 year;

20           (B) the total amount of state adjusted gross income taxes  
21 paid by additional employees of existing businesses in the  
22 territory, regardless of county of residence, who are  
23 employed as a result of expansion after the date of the  
24 establishment of the territory with respect to wages and  
25 salary earned for work in the area for a particular state  
26 fiscal year; plus

27           (C) the total amount of state adjusted gross income taxes  
28 paid by new businesses located in any part of the territory  
29 comprising an area with respect to income sourced to the  
30 area for a particular state fiscal year; minus

31       (2) the sum of:

32           (A) the tax credits awarded by the corporation under  
33 IC 6-3.1-13 to new businesses operating in the territory  
34 comprising an area as the result of wages earned for work  
35 in any part of the territory comprising an area for the state  
36 fiscal year; plus

37           (B) the total amount of the incremental state adjusted  
38 gross income taxes paid by existing businesses as a result  
39 of expansion with no state incentives and with creation of  
40 one (1) or more additional jobs, located in any part of the  
41 territory comprising an area with respect to income  
42 sourced to the area for a particular state fiscal year, after





1           the date of the establishment of the territory;  
2 as determined by the department.

3           Sec. 9. As used in this chapter, "incubator" means a facility in  
4 which space may be leased by a tenant and in which management  
5 provides access to business development services for use by  
6 tenants.

7           Sec. 10. As used in this chapter, "office" refers to the office of  
8 community and rural affairs established by IC 4-4-9.7-4.

9           Sec. 11. As used in this chapter, "new business" refers to a  
10 business entity certified by the office as a new business under  
11 section 19 of this chapter.

12           Sec. 12. As used in this chapter, "READI fund" refers to a rural  
13 entrepreneurship area development incentives fund established by  
14 a rural county under section 23 of this chapter.

15           Sec. 13. As used in this chapter, "rural county" refers to a  
16 county having a population of less than fifty thousand (50,000).

17           Sec. 14. As used in this chapter, "tax incentive zone" refers to  
18 the territory of any of the following:

19           (1) A community revitalization enhancement district  
20 established under IC 36-7-13.

21           (2) A professional sports and convention development area  
22 established under IC 36-7-31.3.

23           (3) A certified technology park established under IC 36-7-32.

24           (4) Any other area in which a law permits adjusted gross  
25 income taxes imposed on a taxable event in the area to be  
26 distributed to an employer located in the area or a political  
27 subdivision in the area for a local business, economic  
28 development, or a governmental purpose.

29           Sec. 15. (a) The county executive of a rural county may apply to  
30 the office for designation of the county as a rural entrepreneurship  
31 area development incentives area. The application must:

32           (1) be in a form specified by the office;

33           (2) include a copy of an ordinance adopted by the county  
34 executive designating the territory of the county that is  
35 outside the boundaries of a tax incentive zone as an area;

36           (3) include a copy of an ordinance adopted by the county  
37 executive:

38           (A) committing up to two hundred fifty thousand dollars  
39 (\$250,000) of local funds each state fiscal year for a dollar  
40 for dollar match to the income tax incremental revenue  
41 received from the treasurer of state under section 22 of this  
42 chapter; and



- 1 (B) specifying the source or sources of the funds
- 2 committed; and
- 3 (4) include information that the office determines necessary
- 4 for evaluating the application under section 16 of this chapter.
- 5 (b) The local match required by subsection (a)(3) may be funded
- 6 from any of the following:
- 7 (1) In the case of a county that has adopted the county
- 8 economic development income tax under IC 6-3.5-7:
- 9 (A) at least fifty percent (50%) of the local match must be
- 10 funded by county economic development income tax
- 11 revenue; and
- 12 (B) the remaining part of the local match may be funded
- 13 from any of the following:
- 14 (i) Any public funds (other than property taxes) of the
- 15 county or the county redevelopment commission.
- 16 (ii) Any contributions, grants, donations, or bequests
- 17 from an individual or a private entity.
- 18 (2) In the case of a county that has not adopted the county
- 19 economic development income tax under IC 6-3.5-7, the local
- 20 match may be funded from any of the following:
- 21 (A) Any public funds (other than property taxes) of the
- 22 county or the county redevelopment commission.
- 23 (B) Any contributions, grants, donations, or bequests from
- 24 an individual or a private entity.
- 25 Sec. 16. (a) The office may approve an application from a rural
- 26 county and designate the county as an area if the county executive:
- 27 (1) submits a written plan for supporting entrepreneurship
- 28 and the establishment of new businesses in the area that meets
- 29 the requirements of the office; and
- 30 (2) agrees in writing to the terms and conditions specified by
- 31 the office.
- 32 (b) The territory of an area designated under this section
- 33 consists of all the territory in the county that is outside the
- 34 boundaries of a tax incentive zone.
- 35 Sec. 17. An area is established on the date on which the county
- 36 approved under section 16 of this chapter and the office enter into
- 37 a written agreement specifying the terms and conditions governing
- 38 the area. An area continues in existence until the earliest of the
- 39 following:
- 40 (1) January 1, 2026.
- 41 (2) The date specified in an ordinance adopted by the county
- 42 executive nominating the county for designation as an area.



(3) The date the office terminates the area under section 21 of this chapter.

Sec. 18. The office shall send a certified copy of the designation of a county as an area to the department.

Sec. 19. The office shall determine whether a business in a rural county is a new business and may certify the business as a new business if the office determines that the new business meets all the following criteria:

(1) The business is established or organized to do business in Indiana less than one (1) year before the business locates business operations in an area.

(2) The business initially locates business operations in an area after the date the area is designated as an area by the office.

(3) The business conducts business operations in the area to provide goods or services for profit.

(4) The business meets any other criteria specified by the office.

Sec. 20. (a) The county auditor of a county designated as an area shall send to the department:

(1) a certified copy of the designation of the county as an area;

(2) a certified copy of the agreement entered into with the office for the area; and

(3) a complete list of the new business employers in the area, including any other identifying information required by the department.

(b) The county auditor shall update the list provided to the department under subsection (a)(3) at least annually before July 1 of each year.

Sec. 21. The office may not terminate an area for a violation of the agreement described in section 17 of this chapter until the office has conducted a public hearing for the purpose of giving all interested parties an opportunity to comment on the proposal to terminate the area. Notice of the hearing must be given at least fourteen (14) days before the hearing in accordance with IC 5-14-1.5-5(b).

Sec. 22. (a) Before the first business day in October of each year, the department shall:

(1) calculate the income tax incremental revenue for the preceding state fiscal year for each area designated under this chapter; and

(2) upon approval of the state board of accounts and the



1 corporation, direct the treasurer of state to distribute the  
 2 amount determined under subdivision (1) for each area to the  
 3 county auditor for deposit in the READI fund established  
 4 under section 23 of this chapter.

5 However, the amount distributed in a particular state fiscal year  
 6 under this section to a particular county may not exceed two  
 7 hundred fifty thousand dollars (\$250,000). The total amount that  
 8 may be distributed in a particular state fiscal year under this  
 9 section to all counties may not exceed five million dollars  
 10 (\$5,000,000). To the extent that the total amount that would  
 11 otherwise be distributed in a particular state fiscal year under this  
 12 section to all counties exceeds five million dollars (\$5,000,000), each  
 13 county's distribution shall be proportionately reduced.

14 (b) A sufficient amount is appropriated annually from the state  
 15 general fund to make the distributions required by this section.

16 Sec. 23. (a) Each county that establishes an area under this  
 17 chapter shall establish a rural entrepreneurship area development  
 18 incentives (READI) fund for the county to receive money  
 19 distributed under section 22 of this chapter.

20 (b) Upon appropriation by the county fiscal body, money  
 21 deposited in the READI fund may be used for any of the following  
 22 purposes, after recommendation by a local economic development  
 23 organization in the county:

24 (1) Transferring money to a revolving fund established under  
 25 section 24 of this chapter for purposes of the revolving fund.

26 (2) Transferring money to a regional venture capital fund  
 27 established under IC 6-3.5-7-13.5 or a local venture capital  
 28 fund established under IC 6-3.5-7-13.6 for purposes of the  
 29 funds.

30 (3) Incubator development and operation.

31 (4) Accelerator development and operation.

32 (5) Small business support services.

33 (6) Assisting in the deployment of high speed Internet service  
 34 (as defined by IC 5-28-33-2) within areas of the county where  
 35 an existing communications provider, as defined in  
 36 IC 8-1-32.5-4, including a public utility that provides  
 37 communications service, does not offer wireline high speed  
 38 Internet service with download speeds that meet or exceed  
 39 four (4) megabits per second and upload speeds that meet or  
 40 exceed one (1) megabit per second.

41 (7) Entrepreneurial internships established in the area that  
 42 partner with high schools located within the county, or



entrepreneurial classes established at local high schools that involve cooperation and collaboration with businesses in the area.

(c) The fund may not be used for the administrative expenses of the fund.

Sec. 24. (a) A county designated as an area may establish a revolving fund to provide loans to new businesses in the county's area.

(b) A county may loan money in the revolving fund established under this section to a new business, if the county fiscal body finds that the loan will be used by the new business for one (1) or more of the following economic development purposes:

(1) Promoting significant opportunities for the gainful employment of Indiana residents in the county's area.

(2) Attracting a new business to the county's area.

(3) Retaining or expanding the operations of a new business in the county's area.

(c) A county may make the loan from a revolving fund established under this section on the terms approved by the county fiscal body.

(d) Amounts paid on a loan made from a revolving fund established under this section shall be deposited in the revolving fund.

Sec. 25. A county may not issue bonds that:

(1) pledge money deposited in the county's READI fund to repayment of interest or principal on the bonds; or

(2) guarantee repayment of any public or private obligation from money in the READI fund.

Sec. 26. Two (2) or more counties may enter into a written agreement under this section to jointly carry out the purposes of this chapter in the counties that are parties to the agreement. Counties choosing to form a joint agreement under this section shall be recognized as one (1) county for the purposes of section 22(a)(2) of this chapter.

Sec. 27. (a) The state board of accounts shall audit each READI fund every two (2) years to determine whether:

(1) the appropriate amount of revenue is being transferred from the state to the county; and

(2) money in the county's READI fund is being used for purposes permitted by this chapter.

(b) The state board of accounts shall audit each revolving fund established under this chapter every two (2) years to determine



1 whether loans are being made and repaid in compliance with any  
 2 applicable statutes and the terms imposed by the county fiscal body  
 3 under section 24 of this chapter.  
 4       **Sec. 28.** Upon termination of an area, the balance of any READI  
 5 fund established under section 23 of this chapter or revolving loan  
 6 fund established under section 24 of this chapter and any amounts  
 7 due to either fund shall be transferred to the state general fund.  
 8       **Sec. 29.** Notwithstanding any other law, a tax incentive zone  
 9 may not be established or expanded in a county:  
 10       (1) after the date an area is established in the county; and  
 11       (2) before the date the area terminates;  
 12 without the approval of the county executive.  
 13       **Sec. 30.** This chapter expires January 1, 2026.  
 14       **SECTION 4.** An emergency is declared for this act.



## COMMITTEE REPORT

Mr. Speaker: Your Committee on Commerce, Small Business and Economic Development, to which was referred House Bill 1606, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 10, line 34, after "within" insert "**areas of**".

Page 10, line 34, delete "county." and insert "**county where an existing communications provider, as defined in IC 8-1-32.5-4, including a public utility that provides communications service, does not offer wireline high speed Internet service with download speeds that meet or exceed four (4) megabits per second and upload speeds that meet or exceed one (1) megabit per second.**".

and when so amended that said bill do pass.

(Reference is to HB 1606 as introduced.)

SMALTZ

Committee Vote: yeas 10, nays 0.

